



# **INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA**

**(SET UP BY AN ACT OF PARLIAMENT)**

**SOUTHERN INDIA REGIONAL COUNCIL (SIRC)  
THIRUVANANTHAPURAM BRANCH**

## **NEWS LETTER**

**Issue III- May 2022**

**(For Private Circulation Only)**

# Message from Chairman's Desk

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*My dear professional colleagues,*

We had a busy month of April with bank audit and account closure activities. During last month we have organised a One-day CPE on CARO 2020, Schedule III amendments and other regulatory updates which was handled CA. Baby Paul and CA. Machamma Muthreja with an enthusiastic group of participants. The month of May is filled with seminars on Ind AS series to cover major standards which are applicable for us. Also, we have received the approval of the Valuation standards board of ICAI for one day seminar on valuations with eminent faculties which is scheduled on May 28th. Further, we have planned a One-day seminar organised by Financial Reporting Review Board of ICAI and a Two-day Residential Refresher course on GST by Indirect tax committee. We, the managing committee request the active participation of the members for the programs and all the other activities of the branch.

Annual Registration Scheme (ARS) for the year 2022 -2023 renewal/ registration is now extended to 22nd May 2022; we thank all the members who have subscribed and request others to make use of the opportunity and help the branch in its activities.

The branch along with members grieves the passing away of our senior member CA. J. Sreekumar expired on 15th May, 2022. He was an excellent human who was very particular in the excellent conduct of the branch activities. Personally, I remember his encouragement to me at all times. Our heartfelt condolences to his family. Hope they harness the strength to bear this irreparable loss.

With warm personal regards,

**CA. Cherianji Samuel**

Chairman,

Thiruvananthapuram Branch, ICAI

# Secretary's Communique

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*Dear Professional Colleagues,*

Greetings of the day!

Specialisation marks a new era in our profession. Since inception CA firms have established to be organisations fixated on offering our clients a range of essential services, tending to their fundamental requirements as a business or as a corporate. The need for CA service starts from the time a business idea is made and it grows with business needs.

However, with increase in competition, the need to distinguish oneself or the services offered by firms has become more relevant now than ever. For the purpose Specialisation will help to achieve that ability to stand out.

General practice firms, while pertinent to the market will continue to face strong competition, forcing them to compete on overall fee demandable, which may result in providing services to lower-quality clients, who will view such firms to be as nothing more than replaceable vendors.

Specialization will assist you and your firm in creating and providing customised solutions, making the expertise worth paying for. Discerning clients will appreciate knowing that their Chartered Accountant possesses an intricate understanding of their particular business and the market.

It is time for us to move beyond the realm of offering our clients mere compliance-driven solutions. Rather, it is time for us to be more proactive and offer them knowledge-driven solution that will assist them in taking their business to the next level.

Thank You

**CA. Nikhil R Kumar**

Secretary

Thiruvananthapuram Branch of ICAI

# Audit Trail and Block-Chain



## Executive summary

The article discusses what is a “ledger”, why block chain is known as a distributed ledger and what are the audit trail requirements by Ministry of Corporate Affairs (MCA).

Ministry of Corporate Affairs (MCA) has issued a notification dated 24th March 2021 which prescribe the features of accounting software used by companies.

It says;

“ In the Companies’ (Accounts) rules, 2014

(1) In rule 3, in sub rule (1), the following proviso shall be inserted, namely: -

“Provided that for the financial year commencing on or after 1st day of April, 2021 (subsequently changed to 1st day of April 2023), every company which uses accounting software for maintaining its books of account, shall use only such accounting software which has a feature of recording audit trail of each and every transaction, creating an edit log of each change made in books of account along with the date when such changes were made and ensuring that the audit trail cannot be disabled”.

Requirements in the notification can be listed as follows;

- 1.It applies to Companies using accounting software to maintain its books of account.
- 2.Each and every transaction should have audit trail,
- 3.Edit log of changes made in the books of accounts and date when such changes were made.
- 4.The audit trail feature in the accounting software cannot be disabled.

Ministry of Corporate affairs (MCA) has issued guidelines regarding “Audit trail” in accounting software used by companies. It says that any entry or alteration to accounting records should be traceable. Example: Details like the user logs to show the user who made the entry or alteration is to be maintained in the accounting software. (Actual implementation of this requirement starts from 1st April 2023).

In this context, let us make a look at Blockchain. Blockchain is known as a “distributed ledger”. It is known as a ledger because entries once made are not altered or deleted, but a rectification entry is made to correct any errors or omissions.

In the era of manual accounting, every entry in ledger is made by accountant authorised by finance manager or such higher authority. Entries once made in ledger is not altered or deleted, but a journal entry is passed to correct any errors or omissions. Such journal entries are authorised by an appropriate authority in the accounting entity. This is a characteristic of ledger. This satisfies the audit trail requirement in the manual era of accounting.

So, what we understand from MCA notification is that all accounting software should be maintained like a ledger. ie, once an entry is made in such software, it should not be deleted or altered, but a rectifying entry is made to correct any error or omission. If it is not maintained like a ledger, every alteration or deletion should be documented in the form of edit logs.

In Enterprise Resource Planning (ERP) solutions, corrections made in the software can be tracked with the help of “user logs”. It shows the user who made the entry or who altered it in the form of logs. Logs list the user who made entries or alteration in the form of employee IDs. But in ordinary accounting packages, entries once made can be altered or deleted and the changes made in the software cannot be traced to the user who made them. Hence, in the case of ordinary accounting packages, there no audit trail at present.

Comparing manual era of accounting with digital accounting era, what we may understand from the MCA communication is that if accounting software is maintained like a “ledger” (ie, an entry once made is not altered or deleted; but a new rectifying journal entry is made), it should be construed as having audit trail.

Let us summarise as follows;

“Block chain” is a distributed “ledger” and all accounting packages should be maintained like a “ledger” which satisfies the audit trail requirement of MCA.

### ***Point of view of an Information system auditor.***

With the audit log facility in place, accounting software used by companies help the information system auditor to understand which user (employee/accountant) made the entry in the accounting software and the user (Employee/Finance manager) who verified and authorised it.

Edit log shows the user details who edited or deleted a particular accounting entry in the accounting software and the identity of the user who verified/authorised the modification.

This helps the auditor to ensure that only authorised users have access to the accounting software either for the purpose of making an entry, modifying it or authorising it.

Ministry of Corporate Affairs (MCA) notification also specifies that the feature of audit logs should not be capable of being disabled. This helps prevent anyone from disabling these features which maintain the integrity of audit and edit logs.

MCA notification also says the edit logs should also record the date when these changes were made in the accounting software. This will help for the statutory audit function to understand whether changes were made before or after the date of statutory audit report. This will help the statutory auditor to absolve himself from any malpractices after the date of his audit report

### **Conclusion**

Audit trail is also called an audit log. The MCA notification, once implemented will help the auditor and those charged with governance to ensure that accounting data is recorded, modified and accessed by authorised users and is reviewed by delegated authority.

**CA. Sreejith. R BSc FCA DISA**  
Mem. No: 207638

# Law Updates

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## DUE DATE

PAS 6: Oct – Mar' 22, to be filed by unlisted companies: 30.05.2022

FSSAI return by manufacturers (including repackers and relabellers) and importers: 31.05.22

Form 11: Annual return by LLP: 30.05.22

CSR – 2: CSR activity undertaken by company for FY 20 – 21: 31.05.22

## INCOME TAX

UOI vs Ashish Agarwal (SC) – The impugned section 148 notices issued to respective assesseees which were issued under unamended section 148 of the IT Act, which were subject to matter of writ petitions before the various respective HC shall be deemed to have been issued under section 148

## COMPANIES ACT

MCA has discontinued V2 portal and has migrated to V3 portal. Version 2 of the MCA portal was used to file various forms relating to Companies and LLPs.

## OTHERS

GOI in order to facilitate bidding for LIC IPO, has requested that all bank branches designated to process ASBA (Application Supported by Blocked Amount) applications may be kept open for the public on May 08, 2022

India's service exports sets a new record of USD 254.4 billion in FY 2021 – 22, beating the previous high of USD 213.2 Billion in FY 2019 – 20. Services export hit an all-time monthly high of USD 26.9 Billion in March 2022.

# May Month Events

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SI No	Date	Day	Topic	Faculty
1	07 <sup>th</sup> May	Saturday	Accounting Standard 109: Financial Instruments - Recognition, De-recognition; Classification; Recognition of Expected Credit losses (impairment) Simplified Approach	CA. M.S. Mathew (Kottayam)
2	11 <sup>th</sup> May	Wednesday	Ind AS 115 - Revenue from contracts with customers	CA. Vijay Kumar M.P (Chennai)
3	28 <sup>th</sup> May	Saturday	Valuation and ICAI Valuation Standards 2018	CA. Mohan Lavi & CA. S.V. Mathangi

# Happy Birthday to our May Celebrants

*"Count not the candles...see the lights they give. Count not the years, but the life you live. Wishing you a wonderful time ahead. Happy birthday."*

## HAPPY BIRTHDAY !!!

1 May	SAJI V S	20 May	MANU V R
2 May	SATHEESAN E N	20 May	MADHU K S
3 May	ASHIF C K	21 May	AJITH KUMAR G
3 May	SARATH V	21 May	KAVITHA K
3 May	DENSIL FERNANDO	23 May	DHANYA V S
5 May	ARUN P KRISHNA	25 May	RAJESH RANGANATHAN
5 May	SIJI ARJUMAN CHETTIYAR	25 May	SAJEEV R
6 May	UDAYANATHA PILLAI NAGARAJAN	25 May	M R RANJIT KARTHIKEYAN
7 May	ROY I VARGHESE	25 May	SHANTY MATHEW
7 May	SUNIL RAJ M	25 May	AKHIL M T
7 May	KIRAN B	25 May	PEYUSH PREM
7 May	BHADRAKUMAR R	25 May	GNANASEKHAR S
8 May	RAJESH A	26 May	BALAMURALI C V
9 May	KANNAN G	26 May	NIKHIL KUMAR
10 May	LEKSHMI V	26 May	VINOD KUMAR R
11 May	JOSEPH OOMMEN	27 May	SYAM LAL N
11 May	ABOBAKER MAHEEN S	27 May	SURESH K
12 May	LOUIS SUDHARSON A	27 May	ANAL P
12 May	RAHUL B S	27 May	AKBAR J
13 May	RADHA GOPALAKRISHNAN	27 May	ARUN JOSE
15 May	SANTHOSH V V	27 May	RAMANATHAN S
15 May	SOBHA SETHUMADHAVAN	28 May	DARSHAN S
15 May	AMRUTHA RAJ	28 May	VINOD KUMAR M
17 May	SANTHALAXMI K	28 May	MUKUNDAN NAIR
17 May	CHELLAPPAN PRASANNA KUMARI	29 May	SUBRAMONIYA SARMA N
19 May	AJITHAKUMARI K S	29 May	NATARAJAN S E
20 May	S RAMESH KUMAR	29 May	RETNA KUMARAN NAIR
20 May	AKHIL A S	29 May	AJI ABRAHAM DANIEL
20 May	JAYAPRAKASH D	29 May	RAJU M KOLLAVELIL
20 May	ANJALOSE	29 May	CHANDRA ROY P

# HAPPY BIRTHDAY !!!

29 May	MUTHAIAH A	31 May	FATHIMA BEEVI S
29 May	VALSALAKUMAR G	31 May	JACOB P JABBU KOSHY
30 May	BINULAL S S	31 May	PRADEEP KUMAR T
30 May	V SIVARAJAN	31 May	G KRISHNA KUMAR
30 May	REMA DEVASSY	31 May	DILEEP S
30 May	SAM KURUVILLA	31 May	SANTHOSH ALEXANDER
30 May	P ANANTHAKRISHNAN	31 May	AKHIL NIDHI MATHEW
30 May	JAMES VARGHESE	31 May	SAJU ROY J S
30 May	JOBY GEORGE	31 May	KRISHNAN G SARMA
30 May	B RADHAKRISHNAN POTTI	31 May	HARI K S
30 May	BIJU K		

# Some Quick Snaps on April



## Invitation for Articles/Writeups

Articles / Writeups are hereby invited from members on any key topics to be published in the upcoming e-Newsletter. Members may kindly submit their articles at **trivandrum@icai.org** with cc to **nikhil@krishnanretna.com** with a subject line "Article for newsletter" on or before 05<sup>th</sup> of the following month along with mentioned details

1. Name
2. Membership Number
3. Contact Number
4. E-mail id
5. Photo
6. Article in docx format